

ORIGINAL

OPEN MEETING AGENDA ITEM



0000108154

BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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Arizona Corporation Commission

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COMMISSIONER
SANDRA D. KENNEDY
COMMISSIONER
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COMMISSIONER
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COMMISSIONER

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
REQUEST TO EXTEND COMPETITION
RULES COMPLIANCE CHARGE.

Docket No. E-01345A-10-0006

RUCO'S COMMENTS

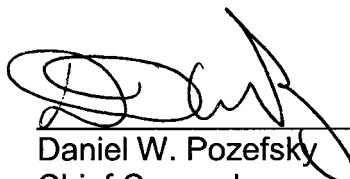
The Residential Utility Consumer Office ("RUCO") files these comments in response to Staff's report on Arizona Public Service Company's ("APS") Request to Extend Competition Rules Compliance Charge ("CRCC").

RUCO does not oppose the entry of the Proposed Order which grants APS' request. However, RUCO would like to point out that APS was not forthcoming with this information during the rate case or the Open Meeting, and it should have fully disclosed this information to the parties and to the Commission at that time. (For example, see the hearing testimony of David Rumolo – attached as Exhibit A)¹. Since the Request was filed on January 8, 2010, only one month after the Open Meeting on the Settlement, the Company's Request was clearly within APS' knowledge at the time of the Open Meeting – if not at the time of the

¹ It is possible that APS mentioned this point but RUCO does not recall it being mentioned, nor has RUCO found mention of it in its review of the Open Meeting transcripts. If it was mentioned, it was mentioned in passing and RUCO surely did not have the impression that collection would be delayed (See attached excerpt of RUCO's witness, Jodi Jerich's testimony attached as Exhibit B).

1 August hearing. Clearly, given the \$10 million balance in August as shown by APS' own
2 exhibit in this docket, and given that the maximum monthly collection was going to be in
3 August with collections decreasing after that, APS knew that it would not have zeroed-out the
4 account by April 1, 2009 and that a significant balance would remain. Both the parties and
5 the Commission at the Open Meeting often referenced and relied on the April 1, 2010
6 termination of the CRCC and its ameliorating effect on the rate increase to justify their
7 support for the agreed-upon rate increase. While RUCO does not know if this fact would
8 have changed RUCO's position regarding the amount of the rate increase along with other
9 factors in that case, RUCO believes that it, the other parties, and the Commission were
10 entitled to have this information available in order to take a fully informed position.

11
12 RESPECTFULLY SUBMITTED this 1st day of March, 2010.

13
14 
15 Daniel W. Pozefsky
16 Chief Counsel
17

18 AN ORIGINAL AND THIRTEEN COPIES
19 of the foregoing filed this 1st day
20 of March, 2010 with:

21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

1 COPIES of the foregoing hand delivered/
2 mailed this 1st day of March, 2010 to:

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By



Ernestine Gamble

EXHIBIT A

1 BEFORE THE ARIZONA CORPORATION COMMISSION

2

3 IN THE MATTER OF THE)
4 APPLICATION OF ARIZONA) DOCKET NO.
5 PUBLIC SERVICE COMPANY FOR A) E-01345A-08-0172
6 HEARING TO DETERMINE THE)
7 FAIR VALUE OF THE UTILITY) PERMANENT
8 PROPERTY OF THE COMPANY FOR)
9 RATEMAKING PURPOSES, TO FIX A)
10 JUST AND REASONABLE RATE OF)
11 RETURN THEREON, TO APPROVE)
12 RATE SCHEDULES DESIGNED TO)
13 DEVELOP SUCH RETURN.) EVIDENTIARY
14) HEARING

9

10

11 At: Phoenix, Arizona

12 Date: September 17, 2009

13 Filed: September 18, 2009

14

15 REPORTER'S TRANSCRIPT OF PROCEEDINGS

16 VOLUME XI
17 (Pages 2194 through 2356, inclusive.)

17

18

19

20

21 ARIZONA REPORTING SERVICE, INC.
22 Court Reporting
23 Suite 502
24 2200 North Central Avenue
25 Phoenix, Arizona 85004-1481

24 Prepared for: By: COLETTE E. ROSS, CR No. 50658
MICHELE E. BALMER, CR No. 50489

25 RUCO

CERTIFIED COPY
(When in red)

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1 management adjustment charge is at the 33 percent of the
2 total dollars level. So it is at the lower, at the
3 lower level. But just walking through it, for an
4 average monthly bill of 1177 kilowatt hours, base rates
5 under the proposed rates are \$131.66. Then we have the
6 two PSA elements, the forward component and the historic
7 component. Those would both be negative at a level of
8 about 4 mils.

9 We have the TCA that was in effect July 1st,
10 2008. There has been a subsequent change to that. The
11 CRCC, which is the competition rules compliance charge,
12 that has been in effect since April of 2005 and will
13 expire probably in about April of 2010. That was
14 designed for a total dollars or a fixed time. So that
15 will be coming off the bills next spring.

16 We have then the EIS, the environmental charge
17 that the Chairman and I discussed yesterday, 19 cents;
18 the RES charge, the renewables program charge of \$3.17
19 reflecting the level that were, the charge in effect
20 January 1, 2009, which was the last reset; and the
21 April 2009 demand-side management adjustment charge.
22 Then, like we described a little bit ago, we then have
23 the projected 2010 DSMAC and the projected change in the
24 RES.

25 Q. You said the TCA has changed. Do you have the

EXHIBIT B

APS Rate Case Settlement Proposal Bill Impact Analysis

May 15, 2009

PURPOSE AND SCOPE: An important consideration in any proposal to change rates is how the change impacts customer bills. Key factors to be considered in allocating revenue responsibility and designing rates include: the cost of providing service, rate stability, encouraging conservation, and other public policy objectives. The Settling Parties considered such factors in their pre-filed testimony and in reaching a comprehensive settlement.

A bill impact analysis is intended to provide policymakers and customers with a general sense of how rate changes will affect typical bills for different classes of customers. When only one bill element is changed, such as the basic service charge, a bill impact analysis is relatively straightforward. However, when multiple billing elements are involved in a change to rates, the bill impact analysis is necessarily more complex. This is because the multiple billing elements comprising an overall base rate change affect customer classes differently, depending on things such as load factor (average energy used by a customer expressed as a percentage of their maximum usage) and overall electric consumption levels. This is true even when the overall base rate percentage increase is the same for all customer classes. A typical bill analysis for residential customers is set forth on page 3 of this document.

THE PROPOSED SETTLEMENT: The Settling Parties propose that all customer classes bear roughly the same increase to the 2007 Test Year base rates—which on a percentage basis is 13.07%.¹ In addition, the parties propose to spread the impact of holding low income E-3 and E-4 customers harmless from the base rate increase across all other customers. As a result, there are four elements that affect the base rate increase and the bill impact analysis in this case:

- Designing rates such that E-3 and E-4 low income customers are held harmless, by spreading those costs across customer classes on a per kWh basis;
- Moving a portion of fuel and purchased power costs from the PSA to base rates;
- Eliminating the separate interim base rate surcharge and incorporating that charge into base rates; and

¹ In APS's 2005 Settlement Agreement, Commercial and Industrial customer classes were allocated proportionally less of the base rate increase and the Residential class was allocated proportionally more of the base rate increase to move rate design closer to the results of the cost of service study. Although the cost of service study in the current rate case continues to show that Commercial and Industrial classes are paying proportionally more than their cost of service relative to Residential customers, the parties agreed that no further rate design changes towards cost of service would be performed in this case. Such a change would have required Residential customers to pay more than the average base rate increase.

- o Including the non-fuel increase necessary to bring base rates to the agreed upon 13.07% customer class average increase.

THE IMPACT BY CLASS: Some of these bill elements, such as fuel and purchased power, affect classes of customers differently. Commercial and industrial customers, for example, will pay a higher proportion of fuel and purchased power costs in their 13.07% base rate increase because as a class they consume more energy as a proportion of their overall bill. Although the Settling Parties did not strictly follow the cost of service in designing rates, this result is consistent with the cost of service study, which shows that the cost of service for commercial and industrial customers includes a higher percentage of fuel-related costs than the cost of service study for residential customers. Similarly, the interim base surcharge was established earlier this year as a kWh-based surcharge, which means that it currently represents a higher proportion of a typical commercial and industrial customer's bill, than that of a residential customer. Thus, the effect of an equal percentage increase in base rates will result in each class of customers paying a different proportion of each element in order to reach the overall 13.07% increase on a class basis.

A summary of the average cost (expressed on a percentage basis) for customers of each class associated with each element of the base rate increase, after accounting for the rate design effect of holding E-3 and E-4 customers harmless,² is shown in the following table:

	Beginning Base Rate Revenue Increase	Class Impact of E-3/E-4 Hold Harmless Rate Design	Increase in Base Rates After E-3/E-4 Rate Design (A)+(B)+(C)	Fuel- Related Increase (A)	Non-Fuel Related Increase (B)	Increase Related to Interim (C)
Residential (All Rates)	13.07%	-0.25%	12.82%	5.11%	5.44%	2.27%
Commercial (E-32)	13.07%	0.24%	13.31%	5.69%	5.09%	2.53%
Industrial	13.07%	0.24%	13.31%	5.67%	5.12%	2.52%

As the table shows, commercial and industrial customers will typically pay a higher proportion of the base rate increase for fuel-related costs, as these customers consume proportionally more fuel than residential customers. In turn, residential customers will pay less of the base rate increase in fuel-related costs and more in non-fuel related costs, reflecting the class average cost of service.

THE IMPACT ON TYPICAL BILLS: Finally, the bill impact analysis involves comparing a change in base rate (and associated billing elements) to a total monthly bill. The total monthly bill includes not just base rates, but also different charges such as the RES Adjustor and the DSM Adjustment Clause, which also represent a larger or smaller

² From a customer class standpoint, E-3 and E-4 customers are part of the Residential class. Thus, the column entitled "Increase in Base Rates After E-3/E-4 Rate Design" reflects the fact that customers in the Commercial and Industrial classes are contributing rate design revenues associated with the hold harmless provision for these low income rates to the Residential class.

overall component of the bill for a given customer class. For example, residential and industrial customers pay proportionately less than commercial customers for the RES, while industrial and commercial customers pay proportionately more for the DSM Adjustment Clause. Thus, the percentage of total bill impact depends not only on the level of the overall base rate increase, but also the relative levels of other line items on the bill.

Attached are bill impact analyses for each major customer class. To provide for better comparability of percentage bill impacts, the commercial and industrial analysis presented reflect an E-32 and E-34/35 customer with a similar load factor to that of the residential class. Also, a bill impact analysis for a typical E-12 residential customer, which is the non time-of-use rate, with 763 kWh of average monthly consumption is included.

For example, for a typical residential customer, with average monthly consumption of 1,408 kWh during summer months and 930 kWh for winter months, the increase would be \$8.98 per month in the summer and \$3.67 per month in the winter or an annual average of \$6.32 per month. In the case of a residential customer on rate E-12 with average monthly consumption of 880 kWh during summer months and 645 kWh for winter months, the increase would be \$6.67 per month in the summer and \$3.11 per month in the winter, or an annual average of \$4.88 per month. For an E-12 customer with median monthly usage of 664 kWh during summer months and 499 kWh for winter months, the increase would be \$3.19 per month during the summer and \$3.26 per month during the winter for an annual average of \$3.22 per month.

The settlement also proposes approval of new demand response programs and increased energy efficiency programs. These new programs, as well as existing programs (such as TOU rates) provide customers with the opportunity to mitigate all or a portion of the proposed rate increase by managing their energy usage.

Additionally, some provisions of the settlement involve costs recovered through adjustment mechanisms. Thus, estimates of 2010 DSM Adjustment Clause and the 2010 RES are provided for illustrative purposes, but would not be implemented at the same time as base rates increase.

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 5/4/09

	Current Rates	Proposed Rates	Current Rates	Proposed Rates	Current Rates	Proposed Rates
	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Residential (Average - All Rates)						
Average kWh per Month	1,169	1,169	1,408	1,408	930	930
Base Rates	\$ 116.20	\$ 131.10	\$ 150.41	\$ 169.72	\$ 81.99	\$ 92.48
PSA- Forward Component	5.94	-	7.15	-	4.72	-
PSA - Historical Component	0.30	0.30	0.36	0.36	0.24	0.24
Interim Rate Adjustor (January 2009)	2.64	-	3.18	-	2.10	-
TCA (July 1, 2008)	1.42	1.42	1.70	1.70	1.13	1.13
CRCC (April 2005)	0.40	0.40	0.48	0.48	0.31	0.31
EIS (July 2007)	0.19	0.19	0.23	0.23	0.15	0.15
RES (Jan 1, 2009)	3.17	3.17	3.17	3.17	3.17	3.17
DSMAC (April 2009)	0.71	0.71	0.85	0.85	0.56	0.56
Total	\$ 130.97	\$ 137.29	\$ 167.53	\$ 176.51	\$ 94.37	\$ 98.04
Bill Impact (3)		\$ 6.32		\$ 8.98		\$ 3.67
Percent Bill Impact		4.63%				
Reduction from accelerated reset of PSA Historical Component		TBD	TBD	TBD		TBD
Increase from Projected 2010 DSMAC		\$ 0.51	0.39%	\$ 0.61		\$ 0.40
Increase from Projected 2010 RES (4)		\$ 0.88	0.66%	\$ 0.88		\$ 0.86

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Residential (Rate E-12)						
Average kWh per Month	763	763	880	880	645	645
Base Rates	\$ 81.71	\$ 92.20	\$ 102.11	\$ 115.24	\$ 61.30	\$ 69.15
PSA- Forward Component	3.88	-	4.47	-	3.28	-
PSA - Historical Component	0.20	0.20	0.23	0.23	0.17	0.17
Interim Rate Adjustor (January 2009)	1.73	-	1.99	-	1.46	-
TCA (July 1, 2008)	0.92	0.92	1.06	1.06	0.78	0.78
CRCC (April 2005)	0.26	0.26	0.30	0.30	0.22	0.22
EIS (July 2007)	0.12	0.12	0.14	0.14	0.10	0.10
RES (Jan 1, 2009)	3.17	3.17	3.17	3.17	3.17	3.17
DSMAC (April 2009)	0.46	0.46	0.53	0.53	0.39	0.39
Total	\$ 92.45	\$ 97.33	\$ 114.00	\$ 120.67	\$ 70.87	\$ 73.98
Bill Impact (3)		\$ 4.88		\$ 6.67		\$ 3.11
Percent Bill Impact		5.28%				
Reduction from accelerated reset of PSA Historical Component		TBD	TBD	TBD		TBD
Increase from Projected 2010 DSMAC		\$ 0.33	0.36%	\$ 0.38		\$ 0.28
Increase from Projected 2010 RES (4)		\$ 0.88	0.93%	\$ 0.88		\$ 0.86

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 5/4/09

	Current Rates	Proposed Rates	Current Rates	Proposed Rates	Current Rates	Proposed Rates
	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Commercial (Rate E-32)						
Average kWh per Month	8,663	8,663	9,628	9,628	7,698	7,698
Base Rates	\$ 773.63	\$ 876.58	\$ 912.51	\$ 1,033.82	\$ 634.75	\$ 719.34
PSA- Forward Component	44.01	-	48.91	-	39.11	-
PSA - Historical Component	2.24	2.24	2.48	2.48	1.99	1.99
Interim Rate Adjustor (January 2009)	19.58	-	21.76	-	17.40	-
TCA (July 1, 2008)	15.03	15.03	16.72	16.72	13.33	13.33
CRCC (April 2005)	2.93	2.93	3.25	3.25	2.60	2.60
EIS (July 2007)	1.39	1.39	1.54	1.54	1.23	1.23
RES (Jan 1, 2009)	68.76	68.76	76.42	76.42	61.10	61.10
DSMAC (April 2009)	6.44	6.44	7.16	7.16	5.71	5.71
Total	\$ 934.01	\$ 973.37	\$ 1,090.75	\$ 1,141.39	\$ 777.22	\$ 805.30
Bill Impact (3)		\$ 39.36		\$ 50.64		\$ 28.08
Percent Bill Impact		4.21%				

Reduction from accelerated reset of PSA Historical Component		TBD	TBD		TBD		TBD
Impact from Projected 2010 DSMAC	\$	3.75	0.40%	\$	4.17	\$	3.33
Impact from Projected 2010 RES	\$	18.63	1.99%		20.70		16.55

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Industrial (Rate E34/35 Medium Load Factor)						
Average kWh per Month	2,250,284	2,250,284	2,344,877	2,344,877	2,155,690	2,155,690
Base Rates	\$ 201,730.06	\$ 228,573.49	\$ 210,208.60	\$ 238,180.24	\$ 193,251.52	\$ 218,966.74
PSA- Forward Component	11,431.45	-	11,911.98	-	10,950.91	-
PSA - Historical Component	580.58	580.58	604.98	604.98	556.17	556.17
Interim Rate Adjustor (January 2009)	5,085.64	-	5,299.42	-	4,871.86	-
TCA (July 1, 2008)	2,666.44	2,666.44	2,778.52	2,778.52	2,554.35	2,554.35
CRCC (April 2005)	760.60	760.60	792.57	792.57	728.62	728.62
EIS (July 2007)	360.05	360.05	375.18	375.18	344.91	344.91
RES (Jan 1, 2009)	353.78	353.78	353.78	353.78	353.78	353.78
DSMAC (April 2009)	2,106.39	2,106.39	2,194.93	2,194.93	2,017.84	2,017.84
Total	\$ 225,074.99	\$ 235,401.33	\$ 234,519.96	\$ 245,280.20	\$ 215,629.96	\$ 225,522.41
Bill Impact (3)		\$ 10,326.34		\$ 10,760.25		\$ 9,892.45
Percent Bill Impact		4.59%				

Reduction from accelerated reset of PSA Historical Component		TBD	TBD		TBD		TBD
Impact from Projected 2010 DSMAC	\$	1,507.55	0.67%	\$	1,570.92	\$	1,444.18
Impact from Projected 2010 RES	\$	95.83	0.04%		95.83		95.83

Notes:

- (1) Bill excludes regulatory assessment charge, taxes and fees. Adjustor levels and interim base rate surcharge in effect as of May 1, 2009.
 - (2) Bill impacts reflect the proposed increase in base rates, reset of interim adjustor to zero, and reset of PSA Forward Component charge to zero.
 - (3) Bill impacts for commercial and industrial customers are less than residential on a percentage basis because these customer classes were assessed proportionally more for the interim adjustor and the PSA. The base rates reflect approximately the same percentage increase as residential.
 - (4) RES impacts are based on a preliminary estimate. Actual bill impacts will be filed with the 2010 implementation plan to be filed in July 2009.
- Of the projected increase in the RES budget for 2010, only about \$1 to \$2 million is attributable to the settlement.

Increase Over Base Rates for Representative Customers

	Beginning Base Rate Revenue Increase	Impact of E-3, E-4 Hold Harmless Rate Design	Increase in Base Rates After E-3, E-4 Rate Design (A) + (B) + (C)	Fuel Related Increase (A)	Non-Fuel Related Increase (B)	Increase Related To Interim (C)
Residential (All Rates)	13.07%	-0.25%	12.82%	5.11%	5.44%	2.27%
Residential (Rate E-12)	13.07%	-0.23%	12.84%	4.75%	5.97%	2.12%
Commercial (Rate E-32)	13.07%	0.24%	13.31%	5.69%	5.09%	2.53%
Industrial (Medium Load Factor)	13.07%	0.24%	13.31%	5.67%	5.12%	2.52%

Monthly Bill
Rate Case Settlement Proposal
May 14, 2009

INPUT TO BILL COMPS

Proposed Increase - GRC Settlement Proposal

	Increase (\$000)	%
Base Rate	196,300	7.44%
Fuel - base rates	11,203	0.42%
Total base rate increase	207,503	7.87%
Adjusted base cost of fuel increase	137,235	5.20%
Total base rate increase	344,738	13.07%
Adjusted Present Revenue - base rates (\$000)	2,637,447	
Adjusted TY MWh	28,855,123	
TY E-3, E-4 MWh	460,909	
net	28,394,214	
Revenue Requirement E-3, E-4 hold harmless \$	6,000,000	
rev requirement \$/kwh \$	0.0002113	
Residential TY adjusted kWh	13,556,815,396	
TY E-3, E-4 MWh	460,909,000	
net	13,095,906,396	
residential benefit \$/kWh \$	0.0004582	
	(0.0002468) net residential impact \$/kwh	
	(0.0002468) check from class average assessment	